

Bachus introduces housing stimulus bill

April 22, 2008

House Financial Services Committee Ranking Member Spencer Bachus, along with Reps. Shelley Moore Capito and Judy Biggert, has introduced Republican legislation to address recent instability in the housing market.

The goal of the Bachus bill is to complement current public and private efforts to help struggling homeowners afraid of losing their homes. At the same time, Bachus is most concerned about protecting homebuyers from predatory lending practices in order to prevent future problems, and thus safeguard the interests of taxpayers from losses in federally-insured programs.

"The crisis in the housing market has had ripple effects throughout our entire economy," Bachus stated. "We need to help people who are suffering, while taking necessary steps to ensure this crisis doesn't recur. Some of the other legislative proposals would require taxpayers to subsidize the costs resulting from bad decisions made by some lenders, investors and borrowers. That's unfair. We believe the Republican alternative is the best strategy for addressing the problem and avoiding spreading the cost to innocent taxpayers."

The Bachus proposal includes reforms that would achieve the following:

Protecting consumers from disreputable mortgage practices through establishment of new registration and licensing requirements for all mortgage originators.

Improving the FHA's ability to help struggling homebuyers by passing long-overdue reforms and expanding participation in a program that helps subprime borrowers transition into more sustainable FHA loans.

Improving regulation of Government Sponsored Enterprises such as Fannie Mae, Freddie Mac, and the Federal Home Loan Banks through provisions from GSE reform legislation that overwhelmingly passed the House last year.

Providing homebuyers with access to better information through improved disclosures for borrowers and increased support for counseling on housing matters.

Encouraging loan modifications by providing a safe harbor from legal liability to servicers that modify loans and allowing Federal banking agencies to consider a bank's record of moving borrowers into more affordable products when considering their Community Reinvestment Act obligations.

Promoting responsible borrowing by requiring that subprime mortgages have escrow accounts for taxes and insurance at the time the loan is consummated.

Helping veterans by temporarily raising loan limits for VA housing loans, and doubling foreclosure protections for returning veterans.

Improving the integrity of the appraisal process.

Strengthening current mortgage fraud prevention efforts.

"By reforming oversight of Government Sponsored Enterprises, promoting transparency in the mortgage process and enacting FHA modernization, this legislation will create clear cut reforms and improvements to a mortgage system that led to the current housing and credit crunch," said Rep. Shelley Moore Capito (R-WV), Ranking Member of the Subcommittee on Housing and Community Opportunity. "Many of the problems facing the housing market today were caused by unscrupulous mortgage originators and an antiquated framework that was not fully equipped to respond to new challenges. This demands an overhaul of our mortgage origination system to restore consumer confidence and prevent this sort of crisis from reoccurring. To that end, this legislation will reform the underlying impediments to a transparent housing market, enhance consumer protection and complement the ongoing efforts to assist struggling homeowners."

"Congress has yet to send a single bill to the President that might begin to address turbulence in the housing market," said Rep. Judy Biggert, a former real estate attorney and Ranking Member of the Subcommittee on Financial Institutions and Consumer Credit. "Our bill contains cost-effective reforms that can start helping homeowners - and the economy - now. Instead of outbidding each other on how much taxpayer funding to spend on bail-outs, House and Senate leaders should move the good, bipartisan ideas that are right in front of them in this bill."

Ranking Member Bachus's personal involvement in subprime lending reform began early in 2006. In July 2007 he sponsored the first comprehensive subprime reform bill (H.R. 3012) to be introduced in the House during the 110th Congress. Key elements of H.R. 3012 were included in bipartisan subprime lending reform legislation which passed the House last November and now awaits action in the Senate.

In addition to Reps. Bachus, Capito, and Biggert, cosponsors include Republican Leader John Boehner, Republican Whip Roy Blunt, and GOP Conference Chairman Adam Putnam, as well as Reps. Granger, McCotter, Pryce, Roskam, Shays, Neugebauer, LaTourette, Jones (NC), Castle, Brown-Waite, Heller, Sessions, Lucas, Davis (KY), Bonner, Rogers (AL), Latham, Turner, Chabot, Mario Diaz-Balart, Rogers (MI), Gallegly, Kirk, and Terry.